

## Legler-Nefees Denim Mills Limited

Annual Report 1999

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### Company Profile

<b>BOARD OF DIRECTORS</b>	Mr. Humayun Naseer Shaikh (Chairman/Chief Executive) Ms. Bushra Naz Malik Mr. Muhammad Talib Mr. Ahmed Nadeem Thair Mr. Khalid A.H. A1-Sagar Mr. Giuliano Buzzetti (Nominee Legler S.P.A) Mr. Cipolla Giuseppe (Nominee Legler S.p.A)
<b>BANKERS</b>	Muslim Commercial Bank Limited Standard Chartered Bank Union Bank Limited Askari Commercial Bank Limited Pakistan Industrial Credit & Investment Corporation Limited National Bank of Pakistan
<b>LEGAL ADVISORS</b>	Hamid Law Associates Advocates
<b>AUDITORS</b>	A.F. Ferguson and Company Chartered Accountants
<b>REGISTERED OFFICE</b>	Ismail Aiwan-i-Science, Shahrah-i-Roomi, Lahore - 54600 Pakistan Fax: 92 42 576 1791 Ph: 92 42 576 1792 - 5
<b>NUMBER OF EMPLOYEES</b>	976 (1998: 864)
<b>WORKS</b>	2.5 km off Manga - Raiwind Road, Kasur - Pakistan Tel: 04951 384 081 - 5 Fax: 92 4951 383 591

### Notice of Annual General Meeting

Notice is hereby given that 7th Annual General Meeting of the Members of the Company will be held on Wednesday, June 14, 2000 at 11:00 a.m. at the Registered Office at Ismail Aiwan-i-Science, Shahrah-i-Roomi, Lahore-54600 to transact the following business:

#### ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on March 31 1999.
2. To receive, consider and adopt the directors' report and the audited accounts for the year ended September 30,1999, together with the auditors' report thereon - (annexed).
3. To elect seven (7) directors as fixed by the board of Directors under Section 178 (1) of the Companies Ordinance, 1984 for a period of three years. The names of the present Directors who are retiring on 7th July, 2000 are as under:-

Mr. Humayun N. Shaikh	Ms. Bushra Naz Malik
Mr. Ahmed Nadeem Tahir	Mr. Muhammad Talib
Mr. Cipolla Giuseppe	Mr. Giuliano Buzzetti

(Nominee Legler S.p.A)  
Mr. Khalid A.H. A1-Sagar

(Nominee Legler S.p.A)

The intentions to contest the election of Directors have been received by the following persons:-

Mr. Humayun N. Shaikh  
Mr. Ahmed Nadeem Tahir  
Mr. Cipolla Giuseppe  
(Nominee Legler S.p.A)  
Mr. Khalid A.H. A1-Sagar

Ms. Bushra Naz Malik  
Mr. Muhammad Arif Butt  
Mr. Giuliano Buzzetti  
(Nominee Legler S.p.A)

4. To appoint Auditors for 1999-2000 and to fix their remuneration. The retiring Auditors M/s. A.E Ferguson & Company, Chartered Accountants, Lahore. One of the shareholders of the company has proposed the name of M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants, Lahore, to act as Auditors of the Company for the year ending 30th September, 2000.

#### **SPECIAL BUSINESS**

5. To increase the Paid Up Share Capital without issue of Right Shares to all the existing shareholders of the company, subject to the permission of the Government of Pakistan, in conformity with the proviso to Section 86 (1) of the Companies Ordinance, 1984, and to pass the following Special Resolution, with and/or without modification (s):-

#### **SPECIAL RESOLUTION**

Resolved that the paid up capital of the company be and is hereby increased from Rs. 251,557,010 to Ks 359,057,010 by issuing 10,750,000 ordinary shares of RS 10 each without issue of right shares to its existing share holders ,Legler S.p.A of Italy, who already have given their firm and irrevocable consent to subscribe ordinary shares of the face value of RS. 10 each against its receivable in the Company, equivalent to Pak Rupees 67.50 Million, and Nafees Cotton Mills Limited of Pakistan, who have also given their firm and irrevocable consent to subscribe ordinary shares of the face value of Rs. 10 each equivalent to Pak Rupees 40.00 Million against the share subscription money subject to the approval of the Securities & Exchange Commission of Pakistan.

Further resolved that the Secretary of the Company be and is hereby authorized to give effect to the above resolution, take all the necessary steps, including seeking permission from the Securities & Exchange Commission of Pakistan in conformity with the proviso to Section 86 (1) of the Companies Ordinance, 1984, and to sign and execute any paper, document, application, forms, returns etc. for and on behalf of the Company, with respect thereto.

6. Any other business with the permission of the chairman.

By order of the Board of Directors

Lahore  
May 23, 2000

BUSHRA NAZ MALIK  
Secretary

#### **Note:**

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote in his / her place. Proxies in order to be effective must be received by the Company not less than 48 hours before the time of the meeting.
2. Any person who seeks to contest the election of Directors shall file at the Registered Office of the Company, not later than 14 days before the day of the meeting, his/her intention to offer himself thereof for election of Directors in terms of Section 178(3) of the Companies Ordinance, 1984.
3. The Share transfer books of the Company will remain closed from 8th June, 2000 to 14th June, 2000 (both days inclusive).
4. Statement of material facts under Section 160(1)(a) of the Companies Ordinance, 1984 pertaining to the special business referred above under agenda item "5" are annexed to this Notice of the Meeting being sent to the members.

#### **Statement U/S 160(1)(a) of the Companies Ordinance, 1984**

It is proposed that to issue 6,750,000 ordinary shares against the payable to Legler S.p.A and to issue 4,000,000 ordinary shares against the share subscription money received from Nafees Cotton Mills Limited. This will reduce the burden of long term loans and also improve the debt equity ratio of the Company.

#### **Directors' Report**

The directors of your company take pleasure in submitting their report with audited financial statements together with auditors' report thereon, for the year ended September 30, 1999.

#### **THE PAST**

As informed in the last report your management had targeted to turn around the company by the help of followings:

- Restructuring of long term debts
- Injection of equity
- Production of more value added goods

Your management was able to have long term loans rescheduled and arranged additional equity as planned. With the technical and financial support of joint venture partners Legler S.p.A, the company was also able to master the technology for production of value added products. As the restructuring agreement was finalised by February, 99, the company started full capacity production from April, 99. By June, 99 positive cash flow

position was attained.

#### THE FUTURE

Your management had planned to achieve black figures by last quarter of 1999. AL-HUMDULILAH, this target was achieved in November, 99. With the continued support of joint venture partners and the market beginning to move in the positive direction, the future looks to be bright.

#### APPOINTMENT OF AUDITORS

The present auditors M/S A.F. Ferguson and Company, Chartered Accountants retire and being eligible offer themselves for re-appointment.

#### PATTERN OF SHAREHOLDING

The pattern of shareholding as required by section 236 of the Companies Ordinance, 1984 is given on page 24.

#### ACKNOWLEDGMENT

The directors place on record their deep appreciation of dedication of our staff members. We are also thankful for the support provided by our joint venture partners, Legler of Italy in helping us achieve world class standards and marketing of our products.

For and on behalf of the Board

Lahore; May 20,2000

HUMAYUN N. SHAIKH  
Chairman

#### Auditors' Report to the Members

We have audited the annexed balance sheet of Legler-Nafees Denim Mills Limited as at September 30, 1999 and the related profit and loss account and cash flow statement for the year then ended, together with the notes forming part thereof, and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and cash flow statement, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 1999 and of the loss for the year and of cash flow for the year then ended; and

(d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to note 2.2 to the accounts, which states that these accounts have been prepared assuming that the company will continue as a going concern. As explained in note 2.2 the company has incurred a net loss of Rs. 158.819 million for the year ended September 30, 1999 and has accumulated losses of Rs. 374.291 million. As of that date the company's current liabilities also exceeded its current assets as mentioned in note 2.2. In these circumstances the management's plan to continue the company as a going concern are mentioned in note 2.2 to the accounts.

A. E Ferguson & Co.  
Chartered Accountants

Lahore; May 22, 2000

#### Balance Sheet As At September 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
28,000,000 (1998: 28,000,000)			

Ordinary shares of Rs.10 each		280,000,000	280,000,000
		=====	=====
Issued, subscribed and paid-up capital	3	251,557,010	240,000,000
Capital reserve - share premium		143,675,125	130,904,620
Accumulated loss		(374,290,623)	(215,471,119)
		-----	-----
		20,941,512	155,433,501
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>	5	253,289,172	--
<b>ADVANCE FOR SHARES</b>	6	45,939,270	30,266,785
<b>NON-PARTICIPATORY REDEEMABLE CAPITAL- SECURED</b>	7	6,529,687	8,395,311
<b>LONG TERM LIABILITIES</b>			
Long term loans - secured	8	448,257,739	368,115,568
Liabilities against assets subject to finance lease	9	24,259,476	26,053,689
Other long term payables - unsecured	10	59,988,477	37,545,913
		-----	-----
		532,505,692	431,715,170
<b>DEFERRED LIABILITIES</b>			
Gratuity		8,308,700	5,964,007
<b>CURRENT LIABILITIES</b>			
Current portion of:			
Non-participatory redeemable capital - secured	7	1,243,750	1,243,750
Long term loans - secured	8	91,242,604	81,549,000
Liabilities against assets subject to finance lease	9	12,269,764	3,647,076
Finances under mark up arrangements and other credit facilities-secured	11	334,406,109	216,864,383
Creditors, accrued and other liabilities	12	131,330,452	105,915,885
		-----	-----
		570,492,679	409,220,094
<b>CONTINGENCIES AND COMMITMENTS</b>	13	-----	-----
		1,438,006,712	1,040,994,868
		=====	=====
<b>FIXED CAPITAL EXPENDITURE</b>			
Operating fixed assets - tangible	14	958,942,316	669,443,037
Assets subject to finance lease	15	41,379,271	38,733,320
		-----	-----
		1,000,321,587	708,176,357
<b>LONG TERM DEPOSITS AND DEFERRED COSTS</b>	17	14,838,700	18,721,648
<b>CURRENT ASSETS</b>			
Stores and spares	18	16,014,732	18,519,006
Stock in trade	19	167,373,596	128,634,070
Trade debts	20	132,519,710	82,527,514
Advances, deposits, prepayments and other receivables	21	72,104,782	33,237,126
Income tax recoverable		3,679,669	4,659,395
Cash and bank balances	22	31,153,936	46,519,752
		-----	-----
		422,846,425	314,096,863
		-----	-----
		1,438,006,712	1,040,994,868
		=====	=====

The annexed notes form an integral part of these accounts.

**HUMAYUN N. SHAIKH**  
Chief Executive

**BUSHRA NAZ MALIK**  
Director

**Profit and Loss Account  
for the Year ended September 30, 1999**

	<i>1999</i>	<i>1998</i>
<i>Note</i>	<i>Rupees</i>	<i>Rupees</i>

Sales	23	711,195,483	618,287,784
Cost of goods sold	24	673,490,288	642,794,078
		-----	-----
Gross Profit / (Loss)		37,705,195	(24,506,294)
Administrative and selling expenses	25	61,211,486	51,051,416
		-----	-----
Operating loss		(23,506,291)	(75,557,710)
Other income	26	5,518,411	12,367,329
		-----	-----
Financial charges	27	(17,987,880)	(63,190,381)
Other charges	28	131,920,907	97,894,645
		-----	-----
Loss before taxation		7,516,879	374,844
Provision for taxation	30	(157,425,666)	(161,459,870)
		-----	-----
Loss for the year		1,393,838	1,045,529
Accumulated loss brought forward		(158,819,504)	(162,505,399)
		-----	-----
Accumulated loss carried forward		(215,471,119)	(52,965,720)
		-----	-----
		(374,290,623)	(215,471,119)
		=====	=====

The annexed notes form an integral part of these accounts.

**HUMAYUN N. SHAIKH**  
Chief Executive

**BUSHRA NAZ MALIK**  
Director

### Cash Flow Statement for the Year ended September 30, 1999

	<i>Note</i>	<i>1999 Rupees</i>	<i>1998 Rupees</i>
Cash flow from operating activities			
Cash flow from operating activities	33	(71,884,255)	5,181,417
Financial charges paid		(99,752,070)	(47,045,631)
Taxes paid		(414,112)	(1,532,026)
Interest received		2,262,828	448,002
Long term security deposits and deferred costs - export quota purchased		(2,559,591)	(2,890,602)
Other long term security deposits and deferred costs		(20,000)	20,000
Gratuity paid		(701,075)	(639,731)
Other long term payables paid - net		22,442,564	16,049,111
		-----	-----
Net cash (outflow) from operating activities		(150,625,711)	(30,409,460)
Cash flow from investing activities			
Fixed capital expenditure		(21,049,775)	(3,903,690)
Sale proceeds of fixed assets		9,625,108	417,980
Sale proceeds of export quota		2,935,710	156,800
		-----	-----
Net cash (outflow) from investing activities		(8,488,957)	(3,328,910)
Cash flow from financing activities			
Advance for shares		40,000,000	30,266,785
Repayment of redeemable capital		(1,865,624)	(310,939)
Repayment of long term loans		(18,755,725)	34,431,783
Finance lease liabilities - net		6,828,475	(7,137,931)
		-----	-----
Net cash inflow from financing activities		26,207,126	57,249,698
		-----	-----
Net (decrease)/increase in cash and cash equivalents		(132,907,542)	23,511,328
Cash and cash equivalents at beginning of the year		(170,344,631)	(193,855,959)
		-----	-----
Cash and cash equivalents at end of the year	34	(303,252,173)	(170,344,631)
		=====	=====

The annexed notes form an integral part of these accounts.

**HUMAYUN N. SHAIKH**  
Chief Executive

**BUSHRA NAZ MALIK**  
Director

### Notes to the Accounts for the Year ended September 30, 1999

#### 1. The company and its operations

The company incorporated in Pakistan is listed on the Karachi Stock Exchange. The company is a composite spinning, weaving, dyeing and stitching unit engaged in manufacturing denim and denim product. The

company commenced commercial production from April 1, 1997.

### **1.1 Compliance with International Accounting Standards (IAS)**

These accounts comply with IAS as applicable, in Pakistan in all material respects.

## **2. Significant accounting policies**

### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention as modified by revaluation of certain fixed assets referred to in note 2.6 and capitalisation of exchange differences referred to in note 2.5.

### **2.2 Basis of accounting**

The company has incurred losses since commencement of its commercial production. For the year ended September 30, 1999 the company incurred a loss of Rs.159 million and had accumulated losses of Rs.374 million. The company's current liabilities exceed its current assets by Rs. 148 million. The company's ability to continue as a going concern is dependant on its ability to achieve satisfactory level of profitability in the future and in the intervening period continued support to the company from its sponsors and lenders. In order for the company to continue as a going concern the management of the company has drawn up a plan for restructuring the company through injection of further equity by the sponsors, continued support from Legler S.p.A and rescheduling of long term liabilities. In addition to above, production of more value added products has also been planned to achieve a satisfactory level of profitability.

As part of the plan, the long term loans payable to PICIC were rescheduled in January 1999. The management is again planning to apply for further rescheduling of the long term payables to PICIC. As a result, these accounts have been prepared on a going concern basis on the assumption that the company will be able to attain satisfactory levels of profitability in the future based upon the management's plans and will have continued support from its lenders and sponsors. Consequently, these accounts do not include any adjustment which might be necessary should the company be unable to continue as a going concern.

### **2.3 Employee retirement benefits**

The company operates an unfunded gratuity scheme for all its employees. Under the scheme, gratuity is payable on the basis of last drawn salary for each completed year of service. Contributions required under the scheme to meet the liability are charged to income.

### **2.4 Taxation**

Profit and gains of the company are exempt from tax for five years commencing April 1, 1996 under clause 118(D) of the Second Schedule of the Income Tax Ordinance, 1979.

The charge for taxation is based on taxable income at the current rates of tax after taking into account available tax credits and rebates, if any.

The company accounts for deferred taxation using the liability method on all major timing differences which are expected to reverse in the foreseeable future. However, provision for deferred taxation is not considered necessary for the year.

### **2.5 Foreign currency transactions**

Transactions in foreign currencies are translated into Rupees at the approximate rates prevailing on the transaction dates or the contracted rates where applicable.

All assets and liabilities in foreign currencies are translated into Rupees at rates of exchange prevailing on the balance sheet date except in the case of forward exchange contracts where balances are converted at the contracted rates.

Exchange differences arising from translation and repayment of foreign currency are capitalised as part of cost of the fixed assets acquired out of the proceeds of such loans. Other exchange differences are included in income for the year.

### **2.6 Fixed capital expenditure and depreciation**

Operating fixed assets except plant and machinery are stated at cost less accumulated depreciation. Plant and machinery as at September 30, 1999 has been revalued by an independent valuer as of that date and is shown at net revalued figures. These assets were revalued with reference to the present replacement depreciated value. Capital work-in-progress, is stated at cost. During the year Blue Feather Affiliations, an independent valuer carried out review of useful life of certain fixed assets. Based on the review, the useful lives of plant and machinery and buildings have been revised. Had the useful lives not been revised the depreciation charge for the year and the loss after tax would have been higher by Rs. 20.995 million.

Depreciation on operating fixed assets is charged to profit on the reducing balance method at the rates given in note 14. The full annual rate of depreciation is applied to the cost of additions, except major additions or extensions to production facilities excluding exchange differences, while no depreciation is charged on assets deleted during the year. Major additions or extensions to production facilities are depreciated on a pro-rata basis for the period of use during the year.

Net exchange differences relating to foreign currency loans obtained to acquire fixed assets are amortized over the remaining useful life of the asset.

## 2.7 Assets subject to finance lease

Assets subject to finance lease are stated at the lower of the present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance leases are depreciated over the useful life of the assets on the reducing balance method at the rates given in note 15. Based on the review by the independent valuers useful life of plant and machinery have been revised. Had the useful life not been revised the depreciation charge for the year and the loss after tax would have been higher by Rs 1.018 million.

## 2.8 Deferred costs

Costs, the benefit of which is expected to be spread over several years, are amortised over a period not exceeding five years.

## 2.9 Stores and spares

These are valued at the lower of cost determined using First in First out (FIFO) method and net realisable value except items in transit which are valued at cost comprising invoice value plus other charges paid thereon.

## 2.10. Stock in trade

Stock of raw material except for those in transit, work-in-process and finished goods are valued at the lower of cost and net realisable value. Cost in relation to raw materials is determined using the first in first out (FIFO) method. Cost in relation to work-in-process and finished goods includes an appropriate portion of production overheads. Materials in transit are valued at cost comprising invoice values plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less cost of completion and less cost necessary to be incurred in order to make the sale.

## 2.11 Financial charges

Mark up, interest and other charges on long term liabilities are capitalised upto the date of commissioning of the respective fixed assets acquired out of the proceeds of such long term liabilities. All other mark up, interest and other charges are charged to income.

## 2.12 Revenue recognition

Revenue from sales is recognised on shipment or acceptance of the products depending on the terms of supply.

	<i>1999</i> <i>Rupees</i>	<i>1998</i> <i>Rupees</i>
<b>3. Issued, subscribed and paid-up capital</b>		
19,035,701 (1998: 17,880,000) ordinary shares of Rs 10 each fully paid in cash	190,357,010	178,800,000
6,120,000 (1998: 6,120,000) ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	61,200,000	61,200,000
	-----	-----
	251,557,010	240,000,000
	=====	=====

## 4. Statement of changes in equity

	<i>Number</i> <i>of shares</i>	<i>Share</i> <i>capital</i> <i>Rupees</i>	<i>Share</i> <i>premium</i> <i>Rupees</i>	<i>Accumulated</i> <i>loss</i> <i>Rupees</i>	<i>Total</i> <i>Rupees</i>
Balance at September 30, 1997	24,000,000	240,000,000	130,904,620	(52,965,720)	317,938,900
Net loss for the year	--	--	--	(162,505,399)	(162,505,399)
Balance at Septe	24,000,000	240,000,000	130,904,620	(215,471,119)	155,433,501
Net loss for the year	--	--	--	(158,819,504)	(158,819,504)

Issue of Share Capital	1,155,701	11,557,010	12,770,505	--	24,327,515
	-----	-----	-----	-----	-----
Balance at September 30, 1999	25,155,701	251,557,010	143,675,125	(374,290,623)	20,941,512
	=====	=====	=====	=====	=====

### 5. Surplus on revaluation of Fixed assets

This represents surplus overbook values resulting from the revaluation of certain assets of the company referred to in note 2.6 and note 14.3

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>6. Advance for shares</b>		
Opening balance	30,266,785	--
Share deposit money received during the year from associated Company	40,000,000	30,266,785
Transferred to share capital	24,327,515	--
	-----	-----
Closing balance	45,939,270	30,266,785
	=====	=====
<b>7. Non - Participatory Redeemable Capital - secured</b>		
Long term running finances	7,773,437	9,639,061
Less: Current maturity	1,243,750	1,243,750
	-----	-----
	6,529,687	8,395,311
	=====	=====

Balance of long term running finance from Pakistan Industrial Credit and Investment Corporation Limited (PICIC) under mark up arrangement is repayable in 25 equal quarterly installments. Mark up is charged quarterly at the rebated rate of Re. 0.35 per Rs. 1,000 per diem on the outstanding balance. In the event the company fails to pay the installments on due dates, mark up is to be charged at the rate of Re. 0.54 per Rs. 1,000 per diem.

#### Security

The finance is secured by a first charge on the company's immovable properties including buildings, plant and machinery and a first floating charge on the company's current assets, both ranking pari passu with the charges referred to in note 8 and note 11.

### 8. Long term loans - secured

	<b>Currency balance in million</b>		<b>Rupees equivalent</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
These are composed of:				
<b>Lender</b>				
Loan 1 Pakistan Industrial Credit and Investment Corporation Limited (PICIC)			40,465,850	43,247,850
Loan 2 Marubeni Benelux	448.7	598.2	218,516,102	205,222,613
Loan 3 Pakistan Industrial Credit and Investment Corporation Limited (PICIC)			280,518,391	201,194,105
			-----	-----
			539,500,343	449,664,568
Less: Current maturity shown under current liabilities			91,242,604	81,549,000
			-----	-----
			448,257,739	368,115,568
			=====	=====

#### Terms of repayment and interest

Balance of loan 1 is repayable in 15 semi annual unequal installments including one overdue installment which was due as at July 1, 1999. Interest is payable half yearly at the rate of 15% per annum plus penalty of 5% per annum in case of delayed payments.

Balance of loan 2 represents supplier's credit repayable in 6 semi annual installments. Interest is payable half yearly at the rate of 8% per annum. The loan is repayable in Japanese Yen (¥). The repayment of the supplier's credit is secured by a guarantee issued by PICIC. The guarantee carries a commission of 2% per annum and in case of default in payment of commission, additional interest of 5% per annum or the bank rate whichever is higher of the amount so unpaid is to be charged. The company did not pay the 5th and 6th installments due on January 18, 1999 and July 18, 1999, which were paid by PICIC and were converted into loan 3. Subsequent to year end, the company has not paid the 7th installment due on January 18, 2000, which has also been paid by PICIC.

Loan 3 represents 1st, 2nd, 3rd, 4th, 5th and 6th installment of supplier's credit including interest thereon paid by PICIC, accrued guarantee commission, interest on loan 1 and on long term Running finances referred



to in note 7.

PICIC through their letter dated January 27, 1999 rescheduled over due installments in Loan 3 into demand finance, whereby the company was to pay PICIC, a minimum of Rs. 80 million by June 30,1999, while Rs. 75 million is payable by each September 30, 2001 and 2002, and Rs. 90 million in each subsequent year till liquidation of the entire demand finance in monthly installments commencing October 1, 2000. However Rs. 66.6 million was paid by September 30,1999. Interest is to be charged at the rate of 17% per annum. In the event the company fails to pay the installments on due dates, interest is to be charged at the rates ranging from 21 to 23% per annum. The supplementary agreement in respect of the rescheduling is yet to be signed between PICIC and the company.

### Security

Loan 1, and 3 are secured by a first charge on the present and future immovable properties including buildings, plant and machinery and fixtures, a first hypothecation charge in respect of all machinery and a first floating charge on all current assets ranking pari passu with the charges referred to in note 7.

Loan 2 is secured by a guarantee issued by PICIC. The guarantee is secured by the securities referred to in loan 1 and 3.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>9. Liabilities against assets subject to finance lease</b>		
Present value of minimum lease rental payments	36,529,240	29,700,765
Less: Current portion shown under current liabilities	12,269,764	3,647,076
	-----	-----
	24,259,476	26,053,689
	=====	=====

The value of the minimum lease rental payments have been discounted at implicit interest rates ranging from 17% to 26% per annum to arrive at their present value. The balance rentals due under the lease agreements aggregate to Rs. 48,079,405 (1998: Rs. 45,713,928) and are payable in equal monthly or quarterly installments between October 1999 and September 2002.

Taxes, repairs and insurance costs are born by the lessee. In case of termination of the agreement, the lessee is to pay the lessor a loss value computed on a basis specified in the agreement.

### 10. Other long term payables - unsecured

Claims payable	note 10.1	7,774,620	7,490,000
Payable to Legler S.p.A	note 10.2	52,213,857	30,055,913
		-----	-----
		59,988,477	37,545,913
		=====	=====

10.1 These represent amounts payable to customers on account of claims lodged against sales. The customers have deferred the payment to after October 1, 2000.

10.2 Legler S.p.A has given consent for conversion of long term payable into share capital. However, pending permission of regulatory authority, this amount has been included in other long term payables.

		<i>1999</i>	<i>1998</i>
		<i>Rupees</i>	<i>Rupees</i>
<b>11. Finances under mark up arrangements and other credit facilities - secured</b>			
Finances under mark up arrangements	note 11.1	66,608,109	39,607,383
Export refinance	note 11.2	267,798,000	177,257,000
		-----	-----
		334,406,109	216,864,383
		=====	=====

#### 11.1 Finances under mark up arrangements

Finances available from commercial banks under mark-up arrangements amount to Rs. 117.5 million (1998: Rs. 57.5 million). Mark up is computed at rates ranging from Re. 0.43 to Re. 0.57 per Rs. 1,000 per diem or part thereof on the price outstanding. In the event the company fails to pay the repurchase price on the expiry of the demand, mark up is to be computed upto the rate of Re. 0.6028 per Rs. 1,000 per diem or part thereof on the price unpaid.

These finances are secured by a charge over current assets ranking pari passu with the charges referred to in note 7, 8 and 11.2, ranking charge on fixed assets, hypothecation of stocks of raw materials, work-in-process and finished goods, pledge of raw materials, goods imported through banks and export bills drawn under confirmed L/C's or contracts.

Of the aggregate facility of Rs. 40 million (1998: Rs. 40 million) for opening letters of credit and Rs. 1.0 million (1998: Rs. 1.0 million) for guarantees, the amount utilised at September 30, 1999 was Rs. 31.859 million (1998: Rs. 37.67 million) and Rs. 0.25 million (1998: Rs. 0.25 million ) respectively.

## 11.2 Export refinance

The company has obtained pre and post shipment finance facilities aggregating to Rs. 285 million (1998: Rs. 305 million) from commercial banks under the export refinance scheme of State Bank of Pakistan. The tenure of each facility availed is 150 to 180 days. Mark up is payable quarterly at Re. 0.2192 per Rs. 1,000 per diem.

## Security

This is secured by a charge over current assets ranking pari passu with the charges referred to in note 7, 8, and 11.1, ranking charge on fixed assets, pledge of raw materials, goods imported through banks and export bills drawn under confirmed L/C's or contracts.

## 12. Creditors, accrued and other liabilities

Creditors	63,520,502	56,604,841
Bills payable	20,106,618	30,445,483
Accrued liabilities	8,855,318	6,518,704
Advances from customers	7,551,388	895,119
Interest accrued on long term loans	15,289,054	2,368,735
Mark-up accrued on short term finances	6,046,688	3,644,086
Retention money	1,276,921	1,198,921
Guarantee commission payable	4,324,783	--
Other liabilities	4,359,180	4,239,996
	-----	-----
	131,330,452	105,915,885
	=====	=====

## 13. Contingencies and commitments

### 13.1 Contingencies

(i) The company filed a writ petition in the Lahore High Court challenging the levy and collection of 1% excise duty on loan 1 referred to in note 8 to the accounts. The High Court has granted a stay against the recovery of the aforesaid duty. No provision has been made in these accounts for the excise duty which at September 30, 1999 is estimated at approximately Rs. 1,161,257 (1998: Rs. 1,161,257) as in the management's view there are meritorious grounds for a decision in favour of the company.

(ii) The company has filed a writ petition in the Lahore High Court against levy of customs duty and sales tax on certain plant and machinery which was denied exemption under SRO 484(I)/92. In case of adverse decision the maximum liability that is likely to arise is approximately Rs. 9.4 million.

(iii) The company has filed a constitutional petition in the Sind High Court against the custom authorities. The case has been referred to the Central Board of Revenue for decision and has not been decided yet. The disputed amount of Rs. 1,293,061 has been deposited with the Sind High Court hence no additional financial loss can be incurred by Legler-Nafees Denim Mills Limited.

### 13.2 Commitments

Under agreement dated May 6, 1994, the company is to pay Legler Industria Tessile S.p.A. (Legler S.p.A.) a fee of U.S. \$ 3,000,000 in consideration for various services. This fee is payable in four equal instalments within thirty days after the second, third, fourth and fifth Annual General Meetings of the shareholders of the company, after the date of commencement of commercial production.

However, under a separate marketing agreement dated May 6, 1994, between the company and Legler S.p.A., the company is to pay the aforementioned installments of the fee only if Legler S.p.A. is able to achieve for the company the rates of return on equity specified in the marketing agreement. In this respect, the prescribed rate of return has not been achieved during the year ended September 30, 1999, as the company has made a loss of Rs. 158.819 million for the year then ended. Consequently, no provision in the accounts has been made for the first instalment of fee due after thirty days of the second Annual General Meeting of the company. However, if at the end of any subsequent year, company having failed to achieve the return projected for any accounting year achieves an average rate of return which equals or exceeds the average of the rates of returns for all preceding accounting years then ended, the company shall be liable to pay all the outstanding and unpaid instalments.

## 14. Operating fixed assets - tangible

14.1 The following is a statement of the operating assets

<i>Cost as at October 01, 1998</i>	<i>Transfer from Assets Subject to Finance</i>	<i>Additions/ (deletion)</i>	<i>Revaluation</i>	<i>Revalued Amount/Cost as at September</i>	<i>Accumulated Depreciation as at Oct.</i>	<i>Accumulated depreciation change for the year</i>	<i>Accumulated depreciation on deletions/ as at Sep.</i>	<i>Accumulated depreciation as at Sep.</i>	<i>Net book value as at September</i>	<i>Annual depreciation rate (%)</i>
--------------------------------------------	--------------------------------------------------------	----------------------------------	--------------------	-----------------------------------------------------	------------------------------------------------	-----------------------------------------------------------------	----------------------------------------------------------------------	----------------------------------------------------	-----------------------------------------------	---------------------------------------------

	<i>Lease</i>			<i>30, 1999</i>	<i>01, 1998</i>	<i>Transfer</i>			<i>30, 1999</i>	<i>30, 1999</i>	
Free hold land	7,417,648	--	--	--	7,417,648	--	--	--	--	7,417,618	10
Buildings on freehold land	120,793,323	--	1,116,960	--	121,910,283	17,506,315	5,220,199	--	22,726,514	99,183,69	7.5
Plant and machinery	635,442,317	210,000	94,785,945	253,289,172	974,540,200	91,831,890	47,204,202	(27,134)	139,065,868	835,474,332	10
			(9,187,134)					56,910			
Furniture and fittings	1,355,219	659,100	42,175	--	2,056,494	408,597	146,928	178,616	734,141	1,322,353	10
Vehicles	126,211	3,614,185	--	--	2,878,856	36,297	299,854	(420,432)	1,679,442	1,199,414	20
Office equipment	3,537,794	2,167,460	361,795	--	5,937,249	651,056	473,399	(35,176)	1,676,661	4,260,588	10
Electrical installation	13,104,890	--	--	--	13,104,890	1,900,210	1,120,468	--	3,020,678	10,084,212	10
Rupees 1999	781,777,402	6,650,745	96,306,775	253,289,172	1,127,845,620	112,334,365	54,465,050	2,103,889	168,903,304	958,942,316	
Rupees 1998	775,352,298	--	6,795,104	--	781,777,402	38,863,769	73,570,866	100,270	112,334,365	669,443,037	
			(370,000)								

14.2 Included in additions to plant and machinery is exchange loss of Rs. 85.74 million (1998:Rs.3.69 million)

14.3 Revaluation of plant and machinery has been carried out as at September 30, 1999 by M/s Blue Feathers Affiliations, independent valuers and certified by M/s Yousuf Adil Saleem & Co. Chartered Accountants, with reference to its present replacement depreciated value, Revaluation of plant and machinery as at September 30, 1999 resulted in revaluation surplus of Rs. 253.289 million which has been added to the book value of plant and machinery as of that date and corresponding amount credited to surplus on revaluation of fixed assets.

14.4 Had there been no revaluation, the cost, accumulated depreciation, and book value of revalued assets would have been as follows:

Particulars	<i>Cost as at</i>		<i>Accumulated Book value as at</i>	
	<i>September 30, 1999</i>	<i>Depreciation as at September 1999</i>	<i>September 1999</i>	<i>September 1999</i>
Plant and machinery	721,251,027	139,065,868	582,185,159	

14.5 Disposal of operating assets

Particulars	<i>Sale</i>		<i>Mode of sale</i>	<i>Sold to others</i>
	<i>Cost Rupees</i>	<i>Book value Rupees</i>		
Office equipment:				
Computer note book	129,800	94,624	24,000 Exchange	Eagle Eye Systems Pakistan
Plant and machinery:				
Shrinkage belt	93,567	80,000	80,000 Negotiation	M/s Indus Rayois Mills Karachi
Shrinkage belt	93,567	80,000	80,000 Negotiation	M/s Indus Rayois Mills Karachi
Button hole machine & electronic sewer	9,000,000	9,000,000	9,000,000 Sale and lease back	Askari Leasing Limited
	9,187,134	9,160,000	9,160,000	
Vehicles				
Suzuki Margalla	461,540	236,308	236,308 As per company policy	Mr. Amir Rafeeq
Suzuki Khyber	400,000	204,800	204,800 As per company policy	Mr. Ahmad Nadeem Tahir
	861,540	441,108	441,108	

## 15. Assets subject to finance lease

The following is a statement of assets subject to finance lease

	<i>Cost as at October 01, 1998</i>	<i>Transfer to fixed assets</i>	<i>Additions/ (deletion)</i>	<i>Cost as at September 30, 1999</i>	<i>Accumulated depreciation as at Oct. 01, 1998</i>	<i>Depreciation change for the year</i>	<i>Accumulated depreciation on deletions/ as at Sep. 30, 1999</i>	<i>Accumulated depreciation as at Sep. 30, 1999</i>	<i>Net book value as at September 30, 1999</i>	<i>Annual depreciation rate (%)</i>
Plant and machinery	37,249,911	(210,00)	9,000,000	46,039,911	5,376,843	3,053,998	(56,910)	8,373,931	37,665,980	7.5
Furniture and fittings	2,527,100	(659,100)	--	1,868,000	679,728	136,689	(178,616)	637801	1,230,199	10
Vehicles	5,940,133	(3,614,185)	1,482,070	3,808,018	2,822,969	549,754	(1,763,723)	1609000	2,199,018	20
Office equipment	2,566,460	(2,167,460)	--	399,000	670,744	31,564	(587,382)	114926	284,074	10
	48,283,604	(6,650,745)	10,482,070	52,114,929	9,550,284	3,772,005	(2,586,631)	10,735,658	41,379,271	
Rupees 1998	48,283,604	--	836,086	48,283,604	5,327,067	4,736,642	513,425	9,550,284	38,733,320	
			(1,076,468)							

		<b>1999</b>	<b>1998</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>16. Depreciation</b>			
Operating fixed assets	note 14.1	54,465,050	73,570,866
Assets subject to finance lease	note 15	3,772,005	4,736,642
		-----	-----
		58,237,055	78,307,508
		=====	=====

Depreciation charge has been allocated as follows:

Cost of goods sold	note 24	56,423,098	76,663,910
Administrative and selling expenses	note 25	1,813,957	1,643,598
		-----	-----
		58,237,055	78,307,508
		=====	=====

### 17. Long term deposits and deferred costs

Long term deposits		2,114,111	2,094,111
Deferred costs	note 17.1	7,669,698	10,737,577
Export quota	note 17.2	5,054,891	5,889,960
		-----	-----
		14,838,700	18,721,648
		=====	=====

#### 17.1 Deferred costs

Preliminary expenses		341,743	439,386
Underwriting commission		9,426,559	12,119,861
Listing and other expenses		96,927	1,246,209
		-----	-----
		10,737,577	13,805,456
Amortised during the year		3,067,879	3,067,879
		-----	-----
		7,669,698	10,737,577
		=====	=====

#### 17.2 Export quota

Export quota		5,889,960	5,810,747
Purchased during the year		2,559,591	2,890,602
Less: Sales during the year		1,641,050	156,800
		-----	-----
		6,808,501	8,544,549
Amortised and written off during the year		1,753,610	2,654,589
		-----	-----
		5,054,891	5,889,960
		=====	=====

#### 17.3 Amortisation

Deferred costs		3,067,879	3,067,879
Export Quota		1,753,610	2,654,589
		-----	-----
		4,821,489	5,722,468
		=====	=====

### 18. Stores and spares

Store		6,377,012	5,715,705
Spares		9,637,720	12,803,301
		-----	-----
		16,014,732	18,519,006
		=====	=====

### 19. Stock in trade

Raw material including in transit Rs 9,985,991 (1998: Rs 5,560,976)		39,432,184	31,363,161
Work in process		39,333,021	25,615,294
Finished goods		87,774,057	71,432,252
Waste		834,334	223,363
		-----	-----
		167,373,596	128,634,070
		=====	=====

Included in finished goods and waste are items carried at net realisable value of Rs. 14.65 million

## 20. Trade debts

Considered goods		
Secured	95,360,108	77,676,123
Unsecured	37,159,602	4,851,391
Considered Doubtful	4,249,348	--
	-----	-----
	136,769,058	82,527,514
Less: Provision for doubtful debts	4,249,348	--
	-----	-----
	132,519,710	82,527,514
	=====	=====

Included in trade debts are amounts due from associated company, Legler S.p.A, amounting to Rs. 17.66 million (1998: Rs. 1.47 million). The maximum aggregate amount due from associated companies at the end of any month during the year was Rs. 17.66 million (1998: Rs. 22.06 million).

	1999 Rupees	1998 Rupees
<b>21. Advances, deposits, prepayments and other receivables</b>		
Advances considered good		
To employees	1,390,922	840,751
To suppliers and contractors	18,260,029	2,624,495
Margin deposits	1,437,583	970,439
Due from associated undertakings	4,935,620	8,833,454
Prepayments	551,963	713,753
Export rebate receivable	24,460,078	9,879,271
Customs duties	--	54,391
Sales tax recoverable	13,345,783	6,957,848
Bills receivables	545,036	872,526
Other receivables	7,177,768	1,490,198
	-----	-----
	72,104,782	33,237,126
	=====	=====

Included in advances to employees are amounts due from executives Rs.0.14 million (1998: Rs. 0.338 million). The maximum aggregate amount due from executives at the end of any month during the year was Rs.1.9 million (1998: Rs. 0.461 million). The maximum aggregate amount due from associated undertaking at the end of any month during the year was Rs.14.4 million( 1998: Rs. 10.169 million).

## 22. Cash and bank balances

Cash at banks		
On current accounts	10,630,227	6,586,104
On deposit accounts	20,482,152	39,725,019
Cash in hand	41,557	208,629
	-----	-----
	31,153,936	46,519,752
	=====	=====

## 23. Sales

Local	227,419,021	296,550,209
Waste	6,226,513	5,004,099
Export	504,692,597	334,566,344
	-----	-----
	738,338,131	636,120,652
Less: Commission to selling agents	22,177,344	16,334,983
Brokerage and discounts	4,965,304	1,497,885
	-----	-----
	27,142,648	17,832,868
	-----	-----
	711,195,483	618,287,784
	=====	=====

23.1 Sales are exclusive of sales tax of Rs. 34,273,155 (1998: Rs. 37,828,971).

## 24. Cost of goods sold

Raw material and other direct material consumed	480,736,373	431,463,676
Salaries, wages and benefits	50,375,692	45,184,475
Fuel and power	52,184,743	47,002,819
Stores and spares consumed	27,009,504	21,116,980
Travelling, conveyance and entertainment	4,057,030	2,872,599
Rent, rates and taxes	223,784	225,312

Insurance	1,878,374	1,734,407
Repairs and maintenance	6,741,646	3,617,973
Processing charges	21,214,379	2,500,700
Depreciation	56,423,098	76,663,910
Printing and stationery	580,882	106,747
Communication	433,772	487,770
Others	2,301,514	2,423,471
	-----	-----
	704,160,791	635,400,839

	<b>1999</b>	<b>1998</b>
	<b>Rupees</b>	<b>Rupees</b>
Opening stock of work-in-process	25,615,294	22,692,704
	-----	-----
	729,776,085	658,093,543
Closing stock of work-in-process	39,333,021	25,615,294
	-----	-----
Cost of goods manufactured	690,443,064	632,478,249
Opening stock of finished goods and waste materials	71,655,615	81,971,444
	-----	-----
Cost of goods available for sale	762,098,679	714,449,693
Closing stock of finished goods and waste materials	88,608,391	71,655,615
	-----	-----
	673,490,288	642,794,078
	=====	=====

## 25. Administrative and selling expenses

Salaries, wages and benefits	9,670,995	8,804,186
Travelling, conveyance and entertainment	3,614,674	2,367,757
Rent, rates and taxes	19,450	126,500
Insurance	572,430	403,950
Freight outward	24,961,846	19,324,460
Printing and stationery	529,256	482,025
Communication	1,639,647	1,737,837
Advertisement and sales promotion	2,611,809	1,396,998
Provision for doubtful debts	4,249,348	--
Legal and professional charges	1,131,800	4,467,640
Depreciation	note 16 1,813,957	1,643,598
Amortisation	note 17.3 4,821,489	5,722,468
Quota rental	2,077,000	--
Fee and subscription	1,056,154	1,245,986
Claims against sales	1,044,478	2,285,000
Others	1,397,153	1,043,011
	-----	-----
	61,211,486	51,051,416
	=====	=====

## 26. Other income

Return on bank deposits	2,262,828	448,002
Interest on balances with associated undertakings	1,960,923	812,795
Exchange gain	--	11,106,532
Gain on sale of export quota	1,294,660	--
	-----	-----
	5,518,411	12,367,329
	=====	=====

## 27. Financial charges

Mark up on non - participatory redeemable capital - secured	1,187,134	1,600,730
Interest on long term loans - secured	68,110,153	42,293,466
Mark up on finance lease	8,418,178	7,804,887
Mark up on finances under mark up arrangements - secured	33,586,394	31,706,498
Guarantee commission	6,423,698	10,074,741
Late shipment charges	4,681,862	--
Bank charges	9,513,488	4,414,323
	-----	-----
	131,920,907	97,894,645
	=====	=====

## 28. Other charges

Loss on disposal of fixed assets	70,624	374,844
Net exchange loss	7,446,255	--

7,516,879	374,844
=====	=====

### 29. Professional services

The charges for professional services include the following in respect of auditor's services for:

Statutory audit	130,000	130,000
Accounting services	25,000	--
Out of pocket expenses	50,000	38,200
	-----	-----
	205,000	168,200
	=====	=====

### 30. Taxation

Current year	1,393,838	--
Prior years	--	1,045,529
	-----	-----
	1,393,838	1,045,529
	=====	=====

In framing the assessment for the year ended September 30, 1997, the Deputy Commissioner of Income Tax charged tax on other income of the company. However, the company has filed an appeal against the decision with Commissioner of Income Tax (Appeals). Tax charge represents provision for taxation on return on bank deposits and interest on balances with associated undertakings.

### 31. Remuneration of Chief Executive, Directors and Executives

31.1 The aggregate amount charged in the accounts for the year for remuneration, including certain benefits, to the Chief Executive and executives of the company is as follows:

	Chief Executive		Executives	
	1999 Rupees	1998 Rupees	1999 Rupees	1998 Rupees
Number of persons	1	1	39	34
Managerial remuneration	360,000	360,000	11,963,098	9,128,229
Contribution to gratuity	--	--	2,940,700	1,677,356
Sales commission	--	--	653,021	609,233
	-----	-----	-----	-----
	360,000	360,000	15,556,819	11,414,818
	=====	=====	=====	=====

The company also provides certain executives with free transport.

### 31.2 Remuneration to other directors

Aggregate amount charged in these accounts for fee to 7 directors (1998:7 directors) was Rs. Nil (1998: Rs. Nil).

### 32. Transactions with associated companies

Sales	27,427,331	23,537,033
Purchases, services and interest	58,718,624	3,469,885
Commission payable	36,907,120	18,463,212

### 33. Cash flow from operating activities

Loss before taxation	(157,425,666)	(161,459,870)
Add/(Less) adjustment for non-cash charges and other items		
Depreciation	58,237,055	78,307,508
Amortisation	4,821,489	5,722,468
Loss on disposal of fixed assets	70,624	374,844
Exchange Loss	10,331,297	--
Gratuity expense	3,045,768	4,594,447
Interest income	(2,262,828)	(448,002)
Gain on sale of export quota	(1,294,660)	--
Provision for doubtful debts	4,249,348	--
Financial charges	131,920,907	97,894,645
Working capital changes	(123,577,589)	(19,804,623)
	-----	-----
	(71,884,255)	5,181,417
	=====	=====

**33.1 Working capital changes**

Decrease/(increase) in current assets		
Stores and spares	2,504,274	(15,763,124)
Stock in trade	(38,739,526)	11,127,023
Trade debts	(54,241,544)	(32,448,039)
Advances, deposits, prepayments and other receivables	(38,867,656)	(10,939,406)
	-----	-----
	(129,344,452)	(48,023,546)
Increase in current liabilities		
Creditors, accrued and other liabilities	5,766,863	28,218,923
	-----	-----
	(123,577,589)	(19,804,623)
	=====	=====

**34. Cash and cash equivalents**

Cash and bank balances	31,153,936	46,519,752
Finances under mark up arrangements and other credit facilities	(334,406,109)	(216,864,383)
	-----	-----
	(303,252,173)	(170,344,631)
	=====	=====

**35. Capacity and production**

	1999		1998	
	Capacity (Thousand)	Production	Capacity (Thousand)	Production
Spinning - Lbs	8,820	6,896	8,820	6,446
Weaving - Meters	8,868	5,946	8,868	5,538
Garments-Pieces	1,200	1,061	1,200	688

Under utilisation of capacity is due to restricted demand for products.

**36. Earning per share**

Loss after taxation	(158,819,504)	(162,505,399)
Number of ordinary shares issued and subscribed at the end of year	24,481,542	24,481,542
Earning per share	(6.49)	(6.64)

**37. Financial Assets and Liabilities**

	Interest / Mark-up bearing			Non Interest Bearing			Total
	Maturity up to one year Rupees	Maturity after one year Rupees	Sub Total Rupees	Maturity up to one year Rupees	after one year Rupees	Sub Total Rupees	
Financial Assets							
Trade Debtors	--	--	--	132,519,710	--	132,519,710	132,519,710
Advances, deposits, prepayments	--	--	--	2,823,265	--	2,823,265	2,823,265
Security Deposit	--	--	--	2,114,111	--	2,114,111	2,114,111
Cash and bank balance	20,482,152	--	20,482,152	10,671,784	--	10,671,784	31,153,936
	-----	-----	-----	-----	-----	-----	-----
	20,482,152	--	20,482,152	148,128,870	--	148,128,870	168,611,022
Financial Liabilities							
Non Participatory Redeemable Capital-Secured	1,243,750	6,529,687	7,773,437	--	--	--	7,773,437
Long term loans - Secured	91,242,604	448,257,739	539,500,343	--	--	--	539,500,343
Gratuity	--	--	--	--	8,308,700	8,308,700	8,308,700
Liabilities against Assets subject to Finance lease	12,269,764	24,259,476	36,529,240	--	--	--	36,529,240
Finances under mark up arrangements and other credit facilities - secured	334,406,109	--	334,406,109	--	--	--	334,406,109
Creditors, Accrued and other Liabilities	--	--	--	119,823,644	--	119,823,644	119,823,644
Guarantee	--	--	--	250,000	--	250,000	250,000
Contingencies	--	--	--	16,561,257	--	16,561,257	16,561,257
Letter of credit	--	--	--	31,859,795	--	31,859,795	31,859,795
	-----	-----	-----	-----	-----	-----	-----
	439,162,227	479,046,902	918,209,129	168,494,696	8,308,700	176,803,369	1,095,012,252
	=====	=====	=====	=====	=====	=====	=====

**37.1 Financial instruments and risk management****(a) Interest rate risk management**

Company borrows funds at the interest rates prevailing in the market which gives rise to interest rate risk. Out of the total financial liabilities of Rs. 1,095,012,252 financial liabilities exposed to



interest rate risk amounts to Rs. 918,209,129

**(b) Foreign exchange risk management**

Foreign currency risk arises where financial instruments are receivable or payable in foreign currency. Financial liabilities exposed to credit risk amounts to Rs. 218,516,102

**(c) Concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 168,611,022 financial assets which are subject to credit risk amounts to Rs. 137,457,086

**(d) Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

38. Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison

**HUMAYUN N. SHAIKH**  
Chief Executive

**BUSHRA NAZ MALIK**  
Director

**Pattern of Shareholding  
As At September 30, 1999**

<i>No. of Shareholders</i>	<i>From</i>	<i>Shareholding</i>	<i>To</i>	<i>Total Shares Held</i>
261	1	--	500	130,500
1	501	--	1000	1,000
12	45001	--	50000	600,000
1	55001	--	60000	57,315
1	115001	--	120000	118,765
1	230001	--	235000	234,583
1	235001	--	240000	237,530
2	275001	--	280000	552,600
1	345001	--	350000	348,254
1	520001	--	525000	523,161
1	875001	--	880000	878,739
2	1160001	--	1165000	2,325,800
1	1420001	--	1425000	1,420,873
1	1465001	--	1470000	1,469,786
1	1535001	--	1540000	1,539,800
1	1700001	--	1705000	1,700,300
1	2085001	--	2090000	2,089,519
1	3650001	--	3655000	3,651,475
1	7275001	--	7280000	7,275,701
-----	-----	-----	-----	-----
292				25,155,701
=====	=====	=====	=====	=====

<i>Categories of Shareholders</i>	<i>Number of Shareholders</i>	<i>Number of Shares Held</i>	<i>Percentage</i>
Individuals	279	10,557,290	41.98
Investment Companies	1	1,469,786	5.84
Insurance Companies	2	119,265	0.47
Joint Stock Companies	5	8,678,601	34.50
Financial Institutions	4	3,982,505	15.83
Modaraba Companies	1	348,254	1.38
	-----	-----	-----
	292	25,155,701	100.00
	=====	=====	=====